

Viacom 18 Media Private Limited

September 25, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term/short-term bank facilities	15,000 (Enhanced from 14,355)	CARE AAA; Stable/ CARE A1+	Reaffirmed
Commercial paper	500	CARE A1+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to bank facilities and commercial paper issue of Viacom 18 Media Private Limited (VMPL) continue to principally derive strength from its strong parentage [Reliance Industries Limited (RIL, rated CARE AAA; Stable/CARE A1+)] and financial flexibility it derives by virtue of being a part of Network18 group, which has significant strategic importance for media and entertainment business vertical of RIL.

Ratings continue to derive strength from healthy performance of VMPL's flagship channel 'Colors' with its consistent presence amongst the top Hindi general entertainment channels (GECs) in terms of television viewership, dominant position in niche entertainment genres and diversified content offerings, which led to consistent growth in its scale of operations.

VMPL's foray into sports segment, including acquisition of media rights of Indian Premier League (IPL) and BCCI international and domestic cricket matches, is expected to drive its revenue growth in the medium term. VMPL's strategic partnership with Bodhi Tree Systems (BTS; a platform of James Murdoch's Lupa Systems and Uday Shankar) and consequent fund infusion of ₹15,145 crore resulted in improved capital structure and provides strong liquidity headroom, till latest sports ventures achieve break-even. However, ratings strengths are partially offset by regular investments required in content offerings, which have significant gestation period, inherent volatility associated with its film production and distribution division, and cyclicity associated with its advertisement revenue in a competitive media and entertainment industry. Timely monetisation of sizeable investments being incurred for sports media rights will be a key rating monitorable.

CARE Ratings Limited (CARE Ratings) also takes cognisance of binding agreements signed by RIL, VMPL and The Walt Disney Company (Disney) to form a Joint Venture (JV) that will combine businesses of VMPL and Star India Private Limited (SIPL). As a part of transaction, VMPL's media undertaking will merge with SIPL. RIL is also expected to invest ₹11,500 crore in the JV for its growth strategy. Post completion of this transaction, the JV will be controlled by RIL and owned 16.34% by RIL, 46.82% by VMPL and 36.84% by Disney. The transaction has received key regulatory approvals and is expected to be completed shortly.

CARE Ratings believes that the JV shall have strong market position in TV and digital streaming for entertainment and sports content in India, with combination of media assets across entertainment (e.g. Colors, StarPlus, StarGOLD), sports (e.g. Star Sports and Sports18) and digital platforms (JioCinema and Hotstar).

Rating sensitivities: Factors likely to lead to rating actions

Positive factors: Not applicable

Negative factors

- Reduction in VMPL's strategic importance for RIL, thereby impacting its financial flexibility
- Sustained cash losses in VMPL, not adequately covered by equity capital infusion, due to its inability to efficiently monetize its various content rights, and its consequent adverse impact on its leverage and debt coverage indicators.

Analytical approach: Standalone

VMPL's strategic importance for RIL group's media and entertainment business and expected financial support from the parent group, if required, has been considered.

Outlook: Stable

CARE Ratings believes that VMPL's strong market position in various entertainment genres and its growing dominance in sports segment backed by support from its strong parent (RIL group) would lead to healthy cash flows for VMPL and a strong credit profile.

¹Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Detailed description of key rating drivers

Key strengths

Parentage of strong and resourceful RIL group

TV18 Broadcast Limited (TV18; rated 'CARE AAA; Stable/CARE A1+') owns 50.994% equity stake in VMPL, while 48.994% stake is held by MTV Asia Ventures (India) Pte Ltd, Nickelodeon Asia Holdings Pte Ltd (Paramount Global group companies) and 0.011% stake is held by Bodhi Tree Systems. TV18 is a 51.17% subsidiary of Network18 Media & Investments Limited (Network18; rated 'CARE AAA; Stable/CARE A1+'), which is held primarily (73.15%) by Independent Media Trust (IMT). RIL is the sole beneficiary of IMT.

The Network18 group is one of the prominent media and entertainment conglomerates in India with interests in television, print and digital media, OTT platform, movie production and allied businesses, consisting of brands including CNBC TV18, CNN News18, News18 India, moneycontrol.com, Firstpost, Forbes India, Colors, and Jio Cinema among others. Network18 and TV18 are part of the prominent and resourceful Reliance (Mukesh D. Ambani) group, whose flagship company - RIL is India's largest private sector enterprise with businesses across energy and materials value chain, retail and telecom sectors.

Paramount Global (earlier ViacomCBS Inc.) is one of the world's leading media and entertainment conglomerates, comprising brands including MTV, Nickelodeon, Comedy Central, BET, and Paramount Pictures among others.

In April 2023, Bodhi Tree Systems and RIL group entities infused funds in VMPL of ₹4,306 crore (equity and compulsorily convertible preference share capital) and ₹10,839 crore (compulsorily convertible preference share capital) respectively. In June 2023, RIL group entities sold, portion of compulsorily convertible preference share capital holding in VMPL, to Bodhi Tree Systems. Consequently, on a fully diluted basis, RIL group entities holds 57.47% stake; TV18 – 13.54%; Bodhi Tree Systems – 15.97%; and Paramount Global - 13.01% in VMPL. Bodhi Tree Systems is an investment venture promoted by Uday Shankar and James Murdoch, where Qatar Investment Authority, the sovereign wealth fund of State of Qatar, is a major investor.

Strategic importance of media and entertainment business to RIL group

Network18 group is one of the prominent media and entertainment conglomerates in India, with top three ranking in most key segments it operates in. Network18 group is RIL group's primary investment in media and entertainment segment and strategically important business for the group. This is evident from its partnership with BTS, where RIL (through its group companies) infused ₹10,839 crore, integration of Jio Cinema app in VMPL, and proposed strategic joint venture with Disney, with an aim to scale up its operations and become one of the largest TV and digital streaming companies in India.

Network18, TV18 and VMPL's Board of Directors, has a director who is also present on the Board of RIL. RIL's media and entertainment vertical also has synergies with its market leading telecom business. These factors reiterate significant importance of VMPL (part of Network18 group) in RIL's overall strategy.

Diversified content offerings with dominant position in niche entertainment genres and growing dominance in sports segment

VMPL's flagship channel 'Colors' has been consistently ranked among the top Hindi GECs in terms of television viewership considering regular investments in popular fiction and non-fiction content. VMPL has been a dominant player in niche segments such as Kids, Youth and English entertainment with prominent brands including Nick, MTV, Vh1, and Comedy Central, among others. VMPL's content offering is expected to diversify further with growth in the regional GECs portfolio and its digital platform Jio Cinema. VMPL has also forayed into sports segment by launching three sports channels under umbrella brand Sports18. VMPL's sports portfolio consists of some popular leagues and events including BCCI rights, IPL, Women Premier League, Cricket South Africa, SA20, FIH (Federation of International Hockey), MotoGP, NBA, La Liga, Serie A, and Ligue 1 among others.

In June 2022, VMPL acquired exclusive rights to digitally stream popular IPL cricket matches in Indian sub-continent for seasons from 2023 to 2027, for a rights fee of ₹24,352 crore. VMPL also acquired digital and TV media rights for international and domestic cricket matches of Indian cricket team from Board of Control for Cricket in India (BCCI), for September 2023-March 2028 period, for a rights fee of ₹5,963 crore.

Continuous growth in operating income; likely to witness a strong growth in the medium term

In FY24, VMPL's Total Operating Income (TOI) grew by 62% y-o-y to ₹7,361 crore driven primarily considering revenue from its foray into sports segment. It reported healthy TOI of ₹2,649 crore in Q1FY25 with sizeable revenue contribution from streaming of second season of IPL. However, its profitability was adversely impacted in FY24 and Q1FY25, owing to weak advertising environment and increase in operating cost, primarily in the sports and digital segment. Going forward, CARE Ratings expects VMPL's TOI to witness a strong growth upon monetisation of its media rights to stream IPL, BCCI's domestic and international cricket matches. However, VMPL's profitability is expected to remain weak in FY25 due to large annual sports rights fee payout and high marketing spends against revenue from streaming of IPL and BCCI matches. Large equity infusion in VMPL is expected to provide it with strong liquidity headroom to fund gestation losses in its sports ventures, restricting the moderation in its leverage to some extent.

Improved capital structure on the back of large equity infusion in Q1FY24

VMPL's overall gearing improved to 0.20x as on March 31, 2024 (1.36x as on March 31, 2023) primarily considering large equity infusion in Q1FY24. CARE Ratings believes VMPL's overall gearing to moderate in the medium term in view of initial gestation losses and increase in debt level to fund content-related investments.

Liquidity: Strong

VMPL's strong liquidity is marked by healthy cash and liquid investments of ₹7,831 crore against debt of ₹5,435 crore as on March 31, 2024. Post equity infusion, it has sufficient gearing headroom to raise additional debt for working capital requirements. VMPL enhanced its working capital bank limits by ₹600 crore recently and had unutilised working capital bank limits of around ₹4,700 crore as on July 31, 2024. VMPL has tied-up working capital limits of ₹14,955 crore, where fund-based limits are planned to be utilised for content-related investments and rights fee payout to BCCI, whereas non-fund-based limits will be primarily utilised for submission of bank guarantees to BCCI. Moreover, VMPL belongs to a strong group (RIL group) which ensures superior financial flexibility. Its liquidity is underpinned by the parent group's stance to extend financial support to it, if required.

Key weaknesses

Risk associated with monetisation of large-size investments for acquisition of sports media rights

In June 2022, VMPL acquired exclusive rights to digitally stream IPL matches in the Indian sub-continent for seasons from 2023 to 2027. This apart, it won television and digital rights for three of five international territories, including major cricketing nations, for an aggregate rights fee of ₹24,352 crore payable to BCCI for five years. In August 2023, VMPL acquired digital and TV media rights for international and domestic cricket matches from BCCI, from September 2023-March 2028, for a rights fee of ₹5,963 crore. The payout to BCCI would be based on number of matches played. VMPL has a plan to monetise these rights by advertisement and subscription income, given the huge popularity of cricket in India. However, VMPL's ability to monetise sports media rights adequately and in a timely manner would be critical to improve its return indicators.

Regular investments in content offerings resulting in inherently working capital intensive operations

Entertainment business is inherently working capital intensive mainly considering large holding of inventory in the form of content, motion picture and streaming rights. Competition among top TV channels and extremely dynamic channel rankings, necessitate regular investments in existing and new content offerings. VMPL's working capital cycle remained elongated at 311 days in FY24 (325 days in FY23) primarily owing to investments in content inventory including sports rights. Going forward, working capital intensity of VMPL's operations is expected to continue amidst expansion plans.

Volatility of advertisement revenue in the competitive media and entertainment industry

VMPL's advertisement revenue constitutes over 50% of its TOI. Advertisement revenue remains vulnerable to factors such as market competition, content viewership, quality and popularity of content being broadcast, trends in media sector, regulatory changes and level of economic activity in general. In the past, significant volatility has been observed in advertisement revenue of media and entertainment entities. As VMPL adopted advertisement only mode to monetise its large investments in sports, improvement in advertisement income would be critical.

Dependence on vagaries of box office performance for the motion picture division

A significant portion of motion picture revenue is secured by pre-selling of satellite, music and digital rights. Due to inherent nature of motion picture business, this division's profitability carries risk of extent of acceptance of the content by its viewers. Going forward, VMPL's ability to successfully release movies at box-office and on digital platforms within envisaged time & cost and monetise the same adequately and timely manner shall be crucial to maintain its overall profitability.

Assumptions/Covenants:

Name of the Instrument	Detailed Explanation
Non-financial covenants (for bank facilities)	Majority voting equity rights of VMPL shall remain with Mukesh Dhirubhai Ambani group directly or indirectly.

Applicable criteria

[Definition of Default](#)

[Rating Outlook and Rating Watch](#)

[Service Sector Companies](#)

[Factoring Linkages Parent Sub JV Group](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial Sector Entities](#)

[Short Term Instruments](#)
About the company and industry
Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer discretionary	Media, entertainment & publication	Entertainment	Tv broadcasting & software production

VMPL is a subsidiary of TV18, which is the broadcasting arm of Network18 group. TV18 owns 50.994% equity stake in VMPL, while 48.994% stake is held by MTV Asia Ventures (India) Pte Ltd, Nickelodeon Asia Holdings Pte Ltd (Paramount Global group companies) and 0.011% stake is held by Bodhi Tree Systems. TV18 is a 51.17% subsidiary of Network18, which is held primarily (73.15%) by Independent Media Trust (IMT). RIL is the sole beneficiary of IMT.

VMPL operates GECs such as Colors, Rishtey, Comedy Central (English), music channels such as MTV and VH1, entertainment channels for kids such as Sonic, Nick and Nick Jr. VMPL also has presence in the movie production and distribution business under Viacom18 Motion Pictures. VMPL has an alliance with Paramount Pictures, the leading Hollywood studio, to market and distribute its films in Indian sub-continent. In April 2023, VMPL acquired Jio Cinema app as a part of merger of Reliance Storage Limited with itself, and it is now OTT platform of VMPL. VMPL also ventured into sports segment in FY22 by acquiring TV and digital rights for some of the marquee sports properties globally and launched three sports channels under umbrella brand, Sports18.

Brief Financials of VMPL (₹ crore)	FY23 (A)	FY24 (Abridged)	Q1FY25 (UA)
Total operating income	4,556	7,361	2,649
PBILDT	96	-694	-157
PAT	11	-253	-146
Overall gearing (times)	1.36	0.20	0.20
Interest coverage (times)	1.23	NM	NM

A: Audited; UA: Unaudited; NM: Not Meaningful; Note: these are latest available financial results
Financials classified per CARE Ratings' standards.

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument/facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Commercial Paper-Commercial Paper (Standalone)	^ -	^ -	7-364 days	500	CARE A1+
Fund-based/Non-fund-based-LT/ST	-	-	-	13,730	CARE AAA; Stable / CARE A1+
Fund-based/Non-fund-based-LT/ST	-	-	-	1,270	CARE AAA; Stable / CARE A1+

^ Not applicable as there is no commercial paper outstanding as on September 16, 2024.

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/ Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based/Non-fund-based-LT/ST	LT/ST	13,730	CARE AAA; Stable / CARE A1+	1)CARE AAA; Stable / CARE A1+ (17-Apr-24)	1)CARE AAA; Stable / CARE A1+ (26-Sep-23)	1)CARE AAA; Stable / CARE A1+ (21-Sep-22)	1)CARE AAA; Stable / CARE A1+ (19-Oct-21) 2)CARE AAA; Stable / CARE A1+ (23-Aug-21)
2	Fund-based/Non-fund-based-LT/ST	LT/ST	1,270	CARE AAA; Stable / CARE A1+	1)CARE AAA; Stable / CARE A1+ (17-Apr-24)	1)CARE AAA; Stable / CARE A1+ (26-Sep-23)	1)CARE AAA; Stable / CARE A1+ (21-Sep-22)	1)CARE AAA; Stable / CARE A1+ (19-Oct-21) 2)CARE AAA; Stable / CARE A1+ (23-Aug-21)
3	Commercial Paper-Commercial Paper (Standalone)	ST	500	CARE A1+	1)CARE A1+ (17-Apr-24)	1)CARE A1+ (26-Sep-23)	1)CARE A1+ (21-Sep-22)	1)CARE A1+ (19-Oct-21) 2)CARE A1+ (23-Aug-21)

ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Commercial Paper-Commercial Paper (Standalone)	Simple
2	Fund-based/Non-fund-based-LT/ST	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please [click here](#)

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

Contact us

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About us:

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